

To: David B. Duncan@ANDERSEN WO
CC: Michael C. Odom@ANDERSEN WO; Michael M. Lowther; Heather L. Mueck@ANDERSEN WO; Gerrard R. Heep@ANDERSEN WO; Kimberly R. Scardino@ANDERSEN WO
C:
Date: 10/08/2001 07:14 AM
From: John R. Sult
Subject: Azurix - Goodwill
Attachments:

One additional item of consideration -

- Since Azurix/Wessex no longer has the resources/skills (i.e., international capital project developers) to pursue such a growth strategy, Enron will need to support such resource needs/capabilities.

FYI - The remaining Azurix Corp. executives (CEO, CFO and general counsel) have communicated their plans to terminate employment following the successful disposition of the non-Wessex assets. As such, Azurix has accrued severance costs attributable to each of these executives pursuant to their employment contracts.

----- Forwarded by John R. Sult on 10/08/2001 09:06 AM

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Date: 10/05/2001 04:27 PM
From: John R. Sult, Houston, 237 / 2320
cc: Azurix - Goodwill

Dave/Mike/Mike -

During our conference call, I proposed that we receive from Enron/Azurix certain evidence related to the issue at hand. In the interest of effective communication, I have included that list below:

- Detailed valuation analysis (discounted cash flow analysis, market multiple analysis, comparable transaction analysis, etc.).
- Reconciliation of valuation to valuation analysis prepared for going private transaction.
- Review of detailed valuation analysis by AA Valuation Services Group.
- Report of independent valuation expert.
- Enron representation regarding its commitment to Azurix to provide financial/credit support to achieve capital needs contemplated by growth strategy as incorporated in the detailed valuation analysis.
- Discussion of Enron's financial/credit commitment in Azurix's financial statements, MD&A, etc.

Comments? Any disagreements? Anything I missed?

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